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SUBJECT: IRAN MAKES COMMERCIAL OVERTURES TO PARAGUAY

REF: FEBRUARY 6 BKELLY-MDASCHBACH EMAIL ON IRAN POINTS

Classified By: DCM Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

¶1. (SBU) Iran's Ambassador to Paraguay, Morteza Tafreshi, resident in Montevideo, met separately January 22 with Paraguay's Foreign Minister Hamed Franco and with Minister of Industry and Commerce Heisecke in Asuncion. During his meeting with Hamed, Tafreshi invited President Fernando Lugo to visit Iran on the margins of the March 29-April 2 South America-Arab Summit in Doha, Qatar, where Paraguay will serve as Vice Chair.

¶2. (SBU) An Iranian delegation followed up by visiting Asuncion February 2-4 to pursue commercial relations. The 12-person delegation included Ahmad Hashemi, director general of international affairs for the Agriculture Ministry; Mohammad Kamali, a vice president of Crop Research (private company); Niyazali Sepahvand, professor at the Seed Preparation Institute; Siavash Zargar, Foreign Investment (private company); Mehdi Kari, general manager of Yihad Tose (private company); Sadrollah Dolat, manager of Cattle Issues (private company); and Hossein Reza, manager of Atinegar Mehr (engineering firm). According to press reports, Iran offered to provide fertilizers and technical assistance in the agricultural sector, and is exploring the possibility of investing in a powdered milk plant in Paraguay (at a cost of USD 8-10 million) and purchasing real estate and buildings. Iran seeks to import soy and beef (up to one-third of Paraguay's monthly exports) from Paraguay. The delegation met with Paraguay's Minister of Agriculture and production-related labor unions and visited milk production and beef packing facilities. Press reports quoted Tafreshi as saying that Iran's assistance came "from a friendly nation" with "no strings attached" and no interest in military affairs. Paraguayan Agriculture Minister Vera Bejarano said publicly February 4 that "we hope the cooperation that surfaces as a result of this visit can strengthen our productive sector, because ... Iran is very advanced in agricultural research and extension." Vera said his meeting with the Iranians was not political. Unidentified GOP executive branch officials said tense relations between the United States and Iran would not affect Paraguay's commerce.

¶3. (C) Ambassador met with Foreign Minister Hamed February 12, and among other issues, raised U.S. concerns about Paraguay strengthening ties with Iran. Hamed said he understood U.S. concerns, and assured her that Paraguay's relations with Iran were strictly commercial, noting that Brazil, Argentina and Uruguay export beef and soy to Iran. Vice Minister for Economic Affairs Oscar Campuzano added that if Iran's investment in a powdered milk plant comes to fruition, Iran would also invest in Paraguay's infrastructure, particularly in the transportation sector.

While Hamed confirmed that nothing had been formalized with Iran, he asserted that Paraguay needs investment. (NOTE: Ministry of Industry and Commerce officials separately told Econoff February 5 that Iran invited Minister Heisecke to visit Iran and that Heisecke sought Embassy views, which we provided drawing from reftel email. END NOTE).

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